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In the
Supreme Court of the United States

CUOZZO SPEED TECHNOLOGIES, LLC,

Petitioner,

v.

MICHELLE K. LEE, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, PATENT AND TRADEMARK OFFICE,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR *AMICUS CURIAE* INTERNATIONAL BUSINESS MACHINES CORPORATION IN SUPPORT OF NEITHER PARTY

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CORPORATE DISCLOSURE STATEMENT

Amicus curiae states that it has no parent corporation and that no publicly held company owns more than 10% of its stock.

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STATEMENT OF INTEREST[1]

International Business Machines Corporation (IBM) is a globally recognized leader in the field of information technology research, development, design, manufacturing, and related services. During IBM's more than 100-year history, its employees have included five Nobel laureates, five National Medal of Science recipients, and ten winners of the National Medal of Technology. The United States Patent and Trademark Office (PTO) has granted IBM tens of thousands of United States patents; more patents each year than any other entity for the last 23 years.[2] Accordingly, IBM has long served as a leading advocate for sound patent policy

In light of its sizeable patent portfolio and broad array of innovative products and services, IBM is a frequent participant in patent litigation, both in Article III tribunals and before the PTO, including in *inter partes* review proceedings before the Patent Trial and Appeal Board (Board). IBM therefore has a significant interest in ensuring that the patent laws are properly interpreted, and that *inter partes* review procedures accord with the will of Congress.

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[1] Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part and that no entity or person, aside from *amicus curiae* and its counsel, made any monetary contribution toward the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, counsel of record for all parties have consented to this filing in letters on file with the Clerk's office.

[2] *See, e.g.*, Press Release, IFI CLAIMS, IFI CLAIMS Announces 2015 U.S. Patent Rankings (Jan. 12, 2016), http://bit.ly/1TCB7bF (noting that IBM, with 7,355 patent grants in 2015, is the "perennial patent leader").

Moreover, IBM participated in the discussions surrounding enactment of the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011), and is involved in *inter partes* review both as a patentee defending the validity of its patents and as a petitioner seeking a declaration of invalidity of the patents of others. It is therefore particularly well-positioned to provide a balanced view of the appropriate claim construction and amendment standards in *inter partes* review proceedings, and the proper role for the judiciary following the conclusion of those proceedings.

As a major force in the information technology industry, IBM has firsthand knowledge of the critical role *inter partes* review—properly implemented—can and should play in our intellectual property system. IBM believes it is crucial that this Court announce clear rules governing claim construction and amendment in *inter partes* review proceedings, as well as the judiciary's power to review the Board's decisions to institute review. This Court's decision will impact not only *inter partes* review proceedings, but other AIA post-grant proceedings—such as those involving covered business method patents—as well. IBM submits this brief in support of neither party to assist the Court in deciding these important issues.

SUMMARY OF ARGUMENT

The answer to the first question presented in this case is both clear and clearly informed by Congress' preservation of the ability to amend patent claims during *inter partes* review While the AIA does not expressly endorse application of any specific claim interpretation standard during *inter partes* review, it provides a robust ability for patentees to amend their claims during that process. The broadest reasonable interpretation standard and amendment have long worked hand in hand to serve the aims of our Nation's patent system—the development of clear and exact claim terms that limit the patent right to the patentee's inventive contribution, and provision of notice to the public regarding the metes and bounds of the claimed invention. And so long as patentees are provided the opportunity to amend claims afforded by Congress, applying the broadest reasonable interpretation standard in *inter partes* review will advance the goals of the AIA as well. The end result will be an efficient and cost-effective process that yields higher quality patents.

The ability to amend places *inter partes* review far afield from Article III proceedings where amendment is unavailable. Article III proceedings balance the interests of the patentee and alleged infringer by employing a presumption of patent validity, a clear and convincing evidentiary standard, and a plain meaning interpretive standard. The plain meaning standard results in a narrower construction of patent claims, which protects alleged infringers by minimizing the scope of a patentee's exclusivity, and patent holders by reducing the constellation of prior

art that could yield a finding of invalidity *Inter partes* review balances the relevant considerations differently: there is no statutorily-mandated presumption of validity, invalidity arguments are subjected to a lower burden of proof, and the broadest reasonable interpretation standard opens up the universe of relevant prior art to the maximum extent possible. There is, however, an ability to amend. Amendment provides a counterweight to the lower burden of establishing invalidity, lack of a statutory pro-patent presumption, and the more demanding broadest reasonable interpretation standard applied in *inter partes* review Amendment is thus the critical ingredient in a fair and balanced *inter partes* review system.

In light of the ability to amend, IBM supports the use of the broadest reasonable interpretation standard in *inter partes* review. IBM nonetheless agrees with petitioner and its amici that the current *inter partes* review regime is not operating as Congress intended. That is not, however, because of the application of the broadest reasonable interpretation standard; the high rate of claim cancellation in *inter partes* review is a direct result of the Board's unnecessary and inappropriate circumscription of the ability to amend claims. The AIA places only a handful of procedural and substantive limitations on the ability to amend. But the Board has added additional substantial burdens that have resulted in only five motions to amend being granted out of the 81 filed in completed *inter partes* reviews to date. Because it is the ability to amend that makes the use of the broadest reasonable interpretation standard appropriate, amendment

must be permitted to play its intended role in the *inter partes* review process. The ability to make amendments cannot be constrained beyond the limitations set forth in the AIA, and patent owners must have a meaningful opportunity to amend their claims. Were the ability to amend eliminated as a matter of law or Board practice, that would radically alter *inter partes* review proceedings such that application of the plain meaning standard would be the more appropriate course.

On the second question presented, IBM agrees that there are significant limits on the Federal Circuit's ability to review Board decisions to institute *inter partes* review. But those limits are not as absolute as the Director has argued. The Board's decision to decline to institute *inter partes* review is likely unreviewable. Courts are also likely without power to evaluate the Board's decision to institute review when a challenger claims that the review was based merely on an abuse of the discretion committed to the Board. But, given the longstanding presumption in favor of judicial review and lack of a clear signal from Congress that Board decisions to institute review are insulated from judicial scrutiny altogether, allegations that the Board exceeded the scope of its authority in instituting *inter partes* review should be judicially reviewable.

ARGUMENT

I. Congress' Endorsement Of The Ability To Amend Patent Claims During *Inter Partes* Review Provides Strong Support For Use Of The Broadest Reasonable Interpretation Standard.

A. The Ability to Amend Claims and Application of the Broadest Reasonable Interpretation Standard are Inextricably Intertwined and, Working Together, Further the Aims of the Patent System and the AIA.

The AIA does not expressly address the issue of whether the broadest reasonable interpretation standard should be utilized during *inter partes* review Pet.App.12a. It does, however, expressly provide patentees with the ability to amend their claims during the *inter partes* review process. Section 316(d), which is titled "[a]mendment of the patent," provides that "[d]uring an *inter partes* review." "the patent owner may file 1 motion to amend the patent" to "[c]ancel any challenged patent claim" and "propose a reasonable number of substitute claims." 35 U.S.C. §316(d)(1). Beyond these modest procedural limitations, the only other limitations on the ability to amend during *inter partes* review are that an amendment "may not enlarge the scope of the claims of the patent or introduce new matter." *Id.* §316(d)(3).

The ability to amend claims during *inter partes* review underscores the propriety of applying the broadest reasonable interpretation standard during the *inter partes* review process. Indeed, given the longstanding link between construing claims

pursuant to the broadest reasonable interpretation and amendment, the Court would be justified in holding that Congress' preservation of a broad ability to amend during *inter partes* review—without more—constitutes an implicit blessing of applying the broadest reasonable interpretation standard during that review

Amendment and the broadest reasonable interpretation standard have long worked in tandem to ensure both clarity in patent claims and that patents are limited in scope to the inventive contribution of the party being afforded patent rights. Applying the broadest reasonable interpretation standard "reduc[es] the possibility that claims" will later "be given broader scope than is justified." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). And amendment ensures that the broadest construction paradigm does not result in unfairness to the applicant or patentee (depending on the proceeding) because he or she "has the opportunity to amend the claims to obtain more precise claim coverage." *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004). The "ability to amend the claims is key." and "the broadest possible interpretation methodology is applied" only in circumstances "where claims are also subject to amendment." John F. Duffy, *On Improving the Legal Process of Claim Interpretation. Administrative Alternatives*, 2 Wash. U. J.L. & Pol'y 109, 127 n.66 (2000) (citing *Yamamoto*, 740 F.2d at 1572 (applying broadest reasonable interpretation doctrine in reexamination proceedings because the patentee had "an opportunity ... to amend his claims to correspond with his contribution to the art"), and *In re Reuter*, 651 F.2d 751 (C.C.P.A. 1981) (applying the

broadest reasonable interpretation doctrine to reissue proceedings)); *see also In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969) (holding that the broadest reasonable interpretation standard is appropriate when amendment is available).[3]

Working together, the broadest reasonable interpretation standard and amendment promote the patent system's foundational goals. They encourage clarity and precision in claims and ensure that claims are confined to a patentee's actual inventive contribution. They also encourage patentees to remove ambiguities from their claims through amendment, which eliminates disparities between patent coverage and inventive contribution, and ensures that the metes and bounds of the invention are expressed in clear, precise, and unambiguous terms. Clarity in claim scope is now, and long has been, one of the defining aims of our Nation's patent system. *See McClain v. Ortmayer*, 141 U.S. 419, 424 (1891) ("When the terms of a claim in a patent are clear and distinct, (as they always should be,) the patentee, in a suit brought upon the patent, is bound by it. He can claim nothing beyond it."); *Festo Corp. v. Shoketsu Kogyo Kinzoku Kabushiki Co.*, 535 U.S. 722, 730 (2002) ("The monopoly is a property right; and like any property right, its boundaries should be clear."). That clarity provides the public with notice regarding

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[3] The PTO has long recognized the connection between the availability of amendment and the broadest reasonable interpretation standard. As just one example, only claims in "unexpired patents"—as opposed to expired patents not subject to amendment—are to "be given [their] broadest reasonable construction." 37 C.F.R. §42.100(b).

the confines of the invention. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 33-34 (1997) (underscoring "the role of claims in defining an invention and providing public notice").

More than providing support for using the broadest reasonable interpretation standard in *inter partes* review, the availability of amendment critically undermines petitioner's favored alternative. Petitioner asserts that the standard applied in Article III proceedings—*viz.* the "ordinary meaning" standard articulated in *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314 (Fed. Cir. 2005) (en banc)—should be applied when interpreting claims during *inter partes* review because that review is akin to an Article III proceeding. Pet.Br.27-31. But the fact that amendment is available in *inter partes* review and not in patent litigation in federal district court is an absolutely critical difference. "An applicant's ability to amend his claims to avoid cited prior art," which "is not available in an infringement action in district court," "distinguishes proceedings before the PTO from proceedings in federal district courts on issued patents." *Yamamoto*, 740 F.2d at 1571 72. While *inter partes* review undoubtedly possesses some of the characteristics of Article III litigation—such as an adversarial posture, limited discovery, and some witness testimony—the ability to amend in *inter partes* review proceedings makes them different in kind from Article III adjudications.

Moreover, the analytical underpinnings of Article III adjudications and *inter partes* reviews are fundamentally different. Article III proceedings balance the interests of the patentee and alleged

infringer by employing a presumption of patent validity, 35 U.S.C. §282, a clear and convincing evidentiary standard, *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 91 (2011), and a plain and ordinary meaning standard of interpretation, *Phillips*, 415 F.3d at 1314. The plain and ordinary meaning standard results in a narrower construction of patent claims, which protects both alleged infringers (by minimizing the scope of a patentee's exclusivity) and patent holders (by reducing the size of the universe of prior art that could yield a finding of invalidity). *Inter partes* review balances the relevant considerations differently There is a lower burden of proof for establishing invalidity—preponderance of the evidence, 35 U.S.C. §316(e)—and the broadest reasonable interpretation standard opens up the universe of relevant prior art to the maximum extent possible. There is no statutorily-mandated presumption of validity in these proceedings. *See, e.g.*, *In re Etter*, 756 F.2d 852, 858 (Fed. Cir.) (en banc) (holding that "§282 has no application in reexamination proceedings"), *cert. denied sub nom.*, *Etter v. Comm'r of Patents & Trademarks*, 474 U.S. 828 (1985). There is, however, an ability to amend. Amendment serves as a counterweight to the lower burden of establishing invalidity, lack of a statutory pro-patent presumption, and application of the more demanding broadest reasonable interpretation standard. Amendment is thus a significant and dispositive reason for distinguishing Article III proceedings from *inter partes* review and for applying different interpretive standards in these settings; amendment is the lynchpin of a fair and balanced *inter partes* review system.

Contrary to petitioner's arguments, the broadest reasonable interpretation standard—so long as it is accompanied by a meaningful ability to amend—is the only standard that actually advances the goals of the AIA. Pet.Br.32. Indeed, given the preservation of amendment and nexus between amendment and the broadest reasonable interpretation standard, the only tenable conclusion is that Congress viewed amendment and the broad construction standard as part and parcel of achieving its aims. *See, e.g.*, *CTS Corp. v. Waldburger*, 134 S. Ct. 2175, 2185 (2014) ("Congressional intent is discerned primarily from the statutory text.").

One of the primary objectives of the AIA was to "provide a meaningful opportunity to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court." H.R. Rep. No. 112-98, at 48 (2011). Properly applied, amendment and the broadest reasonable interpretation standard do just that. The broadest reasonable interpretation standard enables a "complete exploration" of the patentee's invention and "its relation to the prior art." *In re Zletz*, 893 F.2d 319, 321 (Fed. Cir. 1989). Amendment then ensures that any ambiguities identified can be clarified. *See id.* ("when claims can be amended, ambiguities should be recognized, scope and breadth of language explored, and clarification imposed"); *see also Burlington Indus., Inc. v. Quigg*, 822 F.2d 1581, 1583 (Fed. Cir. 1987).

In other words, applying the broadest reasonable interpretation standard and allowing amendment can yield only three possible outcomes, all of which serve the AIA's goal of increasing the quality of patents in

force: (1) the review confirms that the claims as originally drafted are neither unduly ambiguous nor obvious and that the patent is properly entitled to the statutory presumption of validity; (2) weaknesses in the claims not previously uncovered during the examination process are identified and corrected, resulting in a higher quality patent; or (3) the claims are cancelled and a weak patent is eliminated. The end result is that the patents that survive *inter partes* review "are precise, clear, correct, and unambiguous." *Zletz*, 893 F.2d at 322.

Application of the broadest reasonable interpretation standard and the ability to amend further the AIA's other goals as well. There can be little doubt that the clarifying function served by the broadest reasonable interpretation standard and amendment is a "quick and cost effective alternative [ ] to litigation." H.R. Rep. No. 112-98, at 48. Claims that are cancelled as a result of *inter partes* review, assuming that action is affirmed on appeal, will not be litigated in district court. The same may be true of claims that are clarified through the amendment process. Once claims are amended to eliminate ambiguity and narrowed to cover the patentee's actual inventive contribution, there may no longer be a need to litigate validity claims with respect to that patent.[4]

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[4] Amendment itself is not a significant driver of cost. At least in the application context, the costs associated with preparing and filing an amendment are less than a third of the costs associated with preparing the original application itself—between $2,000 and $4,000. Am. Intell. Prop. L. Ass'n, *Report of the Economic Survey* I-90-91, I-108-11 (2015).

The argument that the *Phillips* standard would serve the AIA's ends gets things exactly backwards. A plain meaning regime would constrain the Board's inquiry such that it could not examine the full range of arguably applicable prior art. This would reduce the efficacy of *inter partes* review as a patent quality assurance process. And combined with the availability of amendment (properly construed), the end result would be a less rigorous examination of a patent's claims than occurs during ordinary examination. That is clearly not what Congress intended.

Moreover, applying the *Phillips* standard during *inter partes* review would also be less efficient and more expensive. Plain meaning review would, among other things, require an exploration into how a person of ordinary skill in the art would construe the claims. *See Phillips*, 415 F.3d at 1314 (ordinary meaning is the meaning "as understood by a person of skill in the art"). That principle flows from the fact that "patents are addressed to and intended to be read by others of skill in the pertinent art." *Id.* at 1313. In most cases, that means that experts will need to get involved in order to provide the perspective of a skilled artisan.

Along the same lines, the AIA gives the PTO the discretion to consolidate *inter partes* review proceedings with other proceedings—where amendment is also available, such as *ex parte* reexamination. *See* 35 U.S.C. §§315(d), 325(d). *Ex parte* reexamination has long employed the broadest reasonable interpretation standard based on the availability of amendment, and the propriety of that longstanding use is not at issue here. It would be more

than passing strange to allow the consolidation of *inter partes* and *ex parte* review, but then require the application of different interpretive rubrics in different portions of the consolidated matter. *See* Pet App.20a (discussing consolidation issue). But that is exactly what would happen if petitioner's position were endorsed. The Board has encountered exactly this problem in various proceedings and cited the unworkable nature of applying different interpretive rules as yet another reason supporting the use of the broadest construction methodology in Board proceedings. *See, e.g.*, *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001 (P.T.A.B. June 11, 2013). It is unlikely that, through the AIA, Congress intended to create a system that would require the application of different outcome-determinative standards within a single consolidated proceeding. *See, e.g.*, *Nat'l Ass'n of Home Builders v. Defs. of Wildlife*, 551 U.S. 644, 666 (2007) (declining to interpret a statute as imposing divergent mandates on an agency).

B. Given The Pivotal Role Amendment Plays, it Is Critical That the Board and PTO Give Amendment its Congressionally-Intended Scope by Providing a Meaningful Ability to Amend.

As petitioner emphasizes, *inter partes* review has become more popular than expected and has resulted in the cancellation of hundreds of patent claims. Of the 732 *inter partes* reviews completed to date, 636—or approximately 87%—have resulted "in cancellation of some or all of the patent claims" at issue. Pet.Br.34

(citing U.S. Patent and Trademark Off., *Patent Trial and Appeal Board Statistics* 9 (Dec. 31, 2015), http://1.usa.gov/1pttqYz. In IBM's view, however, that result is not the product of an ill-founded application of the broadest reasonable interpretation standard, as petitioner suggests. Nor is it merely a reflection of the lack of integrity of the patents reviewed thus far through the *inter partes* process, or a commentary on the quality of the underlying examinations for these patents by the PTO. The rate of cancellation, which is substantially higher than in analogous pre-AIA proceedings, is largely the result of the Board's adoption of an unduly burdensome set of requirements for allowing amendment.

Of the 81 motions to amend filed in *inter partes* review proceedings of which IBM is presently aware, only five have been granted. *See Reg Synthetic Fuels LLC v. Neste Oil OYJ.* No. IPR2014-00192, 2015 WL 3609359 (P.T.A.B. June 5, 2015); *Chi. Mercantile Exch., Inc. v. 5th Mkt., Inc.*, No. CBM2013-00027, 2014 WL 7273560 (P.T.A.B. Dec.17, 2014); *Riverbed Tech., Inc. v. Silver Peak Sys.*, Inc., Nos. IPR2013-00402, IPR2013-00403, 2014 WL 7405745, 2014 WL 7405746 (P.T.A.B. Dec. 30, 2014); *Int'l Flavors & Fragrances, Inc. v. U.S. Dep't of Agric.*, No. IPR2013-00124, 2014 WL 2120542 (P T.A.B. May 20, 2014). The numbers are even worse when viewed at the claim level. Of the 442 claims for which amendment was sought, the Board allowed amendment for just 27 claims, and 19 of the 27 were amendments asserted by the government and otherwise unopposed, leaving a mere 8 out of 423 (or just under 2%) where private party amendment was allowed. *See Int'l Flavors & Fragrances*, 2014 WL 2120542 (May 20, 2014).

What is more, these already troubling figures likely fail to capture the full impact of the Board's current practices regarding amendment. As noted *supra*, amendment is often not a costly undertaking as compared to other aspects of patent prosecution and litigation, but it is not free. It is thus entirely possible that many patentees involved in *inter partes* review have rationally declined to move to amend their claims in light of the Board's apparent hesitance to grant such motions. The available data supports that hypothesis. There were 299 proposed substitute claims submitted to the Board between January 1, 2014, and December 31, 2014. *See* Daniel F Klodowski, *Patent Owners Proposing Fewer Substitute Claims During IPR Proceedings*, America Invents Act, (May 19, 2015), http://bit.ly/1QEETLn. Only 55 such claims were submitted between January 1, 2015, and May 1, 2015—"a marked decrease in the rate at which patent owners have sought substitute claims in" *inter partes* review "proceedings compared to" 2014. *Id.*[5]

Given the miserly rate at which amendments have been permitted in *inter partes* review, one would expect to find substantial restrictions on a patentee's ability to amend in the AIA. As already discussed, however, the opposite is true. So long as a patentee files a motion to amend that cancels a "challenged

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[5] The Board's lack of receptiveness to amendment may also be forcing patentees into settlements. The number of post-*inter partes* review institution settlements increased from 104 to 189 from 2014 to 2015. U.S. Patent and Trademark Off., *Patent Trial and Appeal Board Statistics* 8 (Jan. 31, 2016), http://1.usa.gov/24KQcLw (PTO Statistics). And the number of pre-institution settlements increased from 106 to 275 over the same time period. *Id.*

patent claim" and "propose[s] a reasonable number of substitute claims," 35 U.S.C. §316(d)(1), the only constraints are that the patentee "may not enlarge the scope of the claims of the patent or introduce new matter," *id.* §316(d)(3).

The regulations implementing these provisions also do not establish a regime where amendment is the exception rather than the rule. Nor could they given the sparse limitations on amendment in the AIA itself. The relevant regulations provide that a "patent owner may file one motion to amend ... after conferring with the Board." 37 C.F.R. §42.221(a). That motion "must be filed no later than the filing of a patent owner response," and "may be denied" only when "the amendment does not respond to a ground of unpatentability involved in the" review, the "amendment seeks to enlarge the scope of the claims of the patent," or seeks "to introduce new subject matter." *Id.* §42.221(a)(1)-(2). While there is a "presumption" "that only one substitute claim would be needed to replace each challenged claim," that presumption "may be rebutted by a demonstration of need." *Id.* §42.221(a)(3). A second motion to amend may be filed with "Board authorization." *Id.* §42.221(c).

A straightforward application of the AIA's amendment provisions and the PTO's implementing regulations would be unproblematic and almost certainly would have resulted in more than five out of 81 amendment motions being granted. But the Board has imposed additional burdens in practice that have made it difficult for patentees to amend claims successfully during *inter partes* review. Current

Board practice requires patent owners, among other things, "to show a patentable distinction of each proposed substitute claim over the prior art," and "persuade the Board that the proposed substitute claim is patentable over the prior art of record, and over prior art not of record but known to the patent owner." *Idle Free Sys., Inc. v. Bergstrom, Inc.*, No. IPR2012-00027, 2013 WL 5947697, at *4 (P.T.A.B. June 11, 2013); *see also MasterImage 3D, Inc. v. RealD Inc.*, No. IPR2015-00040, Paper 42 at 2-3 (P.T.A.B. July 15, 2015) (clarifying scope of "prior art of record" and "prior art known to the patent owner" (quotation marks omitted)); Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board, 80 Fed. Reg. 50,720, 50,724 (Aug. 20, 2015) (Rules of Practice Amendments) (pointing to *Idle Free*, *MasterImage*, *Int'l Flavors & Fragrances*, *Corning Optical Comms. RF, LLC v. PPC Broadband, Inc.*, No. IPR2014-00441, Paper 19, (P T.A.B. Oct. 30, 2014), *Riverbed Tech.*, and *Reg Synthetic Fuels* as Board decisions providing "further guidance" on motions to amend).[6]

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[6] Timing and resource concerns may, at least in part, account for the Board's narrow construction of the amendment right as a descriptive matter. All else being equal, amendment could cause some delay and the AIA requires completion of the *inter partes* review process within one year of institution absent good cause. 35 U.S.C. §316(a)(11). The limited number of proceedings where amendment has been permitted demonstrate that any timing-related concerns are manageable. In all events, honoring the statutorily-mandated ability to amend would surely provide good cause for exceeding the AIA's aspirational one year time limit, and it is far better for a functioning patent quality assurance system to spend some additional time and resources on review rather than preclude amendment.

Idle Free and its progeny have resulted in two related problems, both of which unduly constrain the ability to amend. The first is that what is necessary to amend patent claims successfully is unclear; the relevant "guidance" is scattered across five Board decisions. Rules of Practice Amendments, 80 Fed. Reg. at 50,724. A formal promulgation of the governing rules in the Code of Federal Regulations would better serve the purposes of all involved and put both patentees and petitioners on clear notice regarding *inter partes* review amendment requirements.

The second problem is that what clear guidance has emerged from *Idle Free* is inconsistent with the AIA and controlling regulation, and has made it far too difficult to amend claims during *inter partes* review. Specifically. in *Idle Free*, the Board held that the "patent owner bears the burden" "to show a patentable distinction of each proposed substitute claim over the prior art." *Idle Free*, 2013 WL 5947697, at *4; *see id.* ("The burden is not on the petitioner to show unpatentability, but on the patent owner to show patentable distinction over the prior art."). There is no basis for imposing such an extraordinary burden on the patent owner in the AIA itself. Nor is that burden justified by PTO regulations. In *Idle Free*, the Board cited 47 C.F.R. §42.20, as mandating imposition of this requirement. But that regulation merely provides that, as a general matter, "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief." 47 C.F.R. §42.20(c). At most, consistent with the AIA's *inter partes* review amendment provisions, that regulation requires a patentee to establish that its motion does not seek to

"enlarge the scope of the claims of the patent or introduce new matter." 35 U.S.C. §316(d)(3). There is no statutory basis for requiring anything more.

IBM respectfully submits that, should this Court affirm the Federal Circuit and hold that application of the broadest reasonable interpretation standard is appropriate in *inter partes* review, it should make clear that the availability of amendment is a necessary predicate for its holding. In doing so, the Court should underscore that the broadest reasonable interpretation standard makes sense only when it is accompanied by a *meaningful* ability to amend. If the Board continues down the path of making it inordinately difficult to amend claims during *inter partes* review, then the broadest reasonable interpretation construct would become unsustainable. The result would be an unbalanced review process that stacks the deck against finding the patent in review valid.

IBM believes that the ability to amend and the broadest reasonable interpretation standard go hand in hand. Because the AIA expressly provides for amendment, it implicitly embraces the broadest construction standard. If, however, the ability to amend were to be eliminated—or effectively eliminated through Board policies making amendment practically impossible—then IBM would favor application of the *Phillips* ordinary meaning standard. The broadest reasonable interpretation standard serves the aims of our Nation's patent system generally, and the AIA specifically, only when accompanied by a robust ability to amend. Removing amendment from the *inter partes* review process

would radically alter the character of the procedure and make it much more akin to an Article III adjudication. Without an ability to amend, application of the broadest reasonable interpretation standard places broad swaths of patents that would survive scrutiny under a plain meaning standard at risk of invalidation. A meaningful ability to amend is fundamental.[7]

* * *

IBM respectfully submits that this Court should affirm the Federal Circuit with respect to its sanctioning of application of the broadest reasonable interpretation standard in *inter partes* review. In doing so, the Court should make clear that the AIA's express preservation of the ability to amend is the driving force behind its decision and send a clear signal to the Federal Circuit, the PTO, and the Board that amendment cannot be constrained beyond the limitations set forth in the AIA.

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[7] IBM is of the view that, after an initial rebellion against amendment during *inter partes* review, the law may be heading in the right direction. The Federal Circuit's recent decision in *Nike, Inc. v. Adidas AG*, No. 2014-1719, 2016 WL 537609 (Fed. Cir. Feb. 11, 2016), is illustrative. In that case, the Board had held that Nike's uncontested statement that its "proposed substitute claims" were patentable "over prior art not of record but known to the patent owner" was insufficient to support amendment under the Board's decision in *Idle Free*. On appeal, the Federal Circuit held that "the heart" of this requirement was simply an obligation to "submit[] the necessary information to comply with" a patent owner's "duty of candor to the office." *Id.* at *20. Accordingly, a statement that substitute claims are patentable "over prior art not of record but known to the patent owner" was sufficient to support amendment under *Idle Free* "absent an allegation of conduct violating the duty of candor." *Id.*

II. The Board's Decision To Initiate *Inter Partes* Review Should Be Reviewable Under Limited Circumstances.

A. Congress Placed Important Limitations on the Board's Authority to Institute *Inter Partes* Review, and the Federal Circuit Must Have Authority to Enforce Those Limitations.

There is no doubt that Congress left significant aspects of the decision whether to institute *inter partes* review to the Board's discretion.[8] But the confines of that discretion were specifically defined by Congress. As the Director explained in her brief in opposition, "the statute establishes various prerequisites to the PTO's institution of *inter partes* reviews." BIO 20 n.6. First, *inter partes* review is limited to deciding invalidity based on either novelty or obviousness over the prior art, and only where the prior art "consist[s] of patents or printed publications." 35 U.S.C. §311(b). Second, the statute provides:

> The Director may not authorize an *inter partes* review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

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[8] Congress in fact granted this authority to the Director of the PTO, *see* 35 U.S.C. §314(d), but she has delegated that authority to the Board, *see* 37 C.F.R. §42.108.

Id. §314(a). The AIA lays out the information which must be included in the petition and response. As relevant here, it requires that the petition "identif[y], in writing and with particularity, each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim." *Id.* §312(a)(3); *see also* 37 C.F.R. §42.104(b) (laying out in further detail the required contents of a petition). The response, meanwhile, must set "forth reasons why no *inter partes* review should be instituted based upon the failure of the petition to meet any requirement of this chapter." 35 U.S.C. §313.

Taken together, these provisions establish that the Board may institute *inter partes* review (1) only as to claims specifically identified in the petition; (2) only if the "grounds on which the challenge to each claim is based, and the evidence that supports the grounds" found in the petition, and nowhere else, establish "a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition"; and (3) only so long as the grounds for invalidity are novelty or obviousness in view of "prior art consisting either of patents or printed publications." *Id.* §§311(b), 312(a)(3), 314(a). If the Board institutes *inter partes* review in the absence of *any* of these requirements, its action is *ultra vires* and beyond the authority granted by Congress.

The Director does not disagree with any of this. *See* BIO 20 n.6. She argues, however, that Congress made the Board the sole arbiter of whether it has exceeded its authority The Federal Circuit agreed, holding in essence that the Board alone decides

whether it has transgressed the limits of its authority to place a patentee's property into jeopardy.

This view is both extraordinary and unnecessary. Although the AIA limits the scope of the judiciary's review of the Board's decisionmaking—as do many statutes governing review of agency action—it does not wholly except the Board's decision to place a patent in *inter partes* review from judicial scrutiny.

B. The Statute Does Not Require a Complete Ban on Judicial Review.

The review provisions of the AIA cannot be read *in vacuo*. "Congress rarely intends to prevent courts from enforcing its directives to federal agencies. For that reason, this Court applies a 'strong presumption' favoring judicial review of administrative action." *Mach Mining, LLC v. EEOC*, 135 S. Ct. 1645, 1651 (2015) (quoting *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986)). It can be overcome only if "there is persuasive reason to believe that" Congress intended to depart from it. *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967). "[T]he agency bears a 'heavy burden' in attempting to show that Congress 'prohibit[ed] all judicial review' of the agency's compliance with a legislative mandate." *Mach Mining*, 135 S. Ct. at 1651 (quoting *Dunlop v. Bachowski*, 421 U.S. 560, 567 (1975)).

"The rationale for this presumption is straightforward enough: Our constitutional structure contemplates judicial review as a check on administrative action that is in disregard of legislative mandates ...." *Shalala v. Ill. Council on Long Term Care, Inc.*, 529 U.S. 1, 44 (2000) (Thomas, J., dissenting) (citation and quotation marks omitted).

> Chief Justice Marshall long ago captured the essential idea: "It would excite some surprise if, in a government of laws and of principle, furnished with a department whose appropriate duty it is to decide questions of right, not only between individuals, but between the government and individuals; a ministerial officer might, at his discretion, issue this powerful process ... leaving to [the claimant] no remedy, no appeal to the laws of his country, if he should believe the claim to be unjust. But this anomaly does not exist; this imputation cannot be cast on the legislature of the United States."

Gutierrez de Martinez v. Lamagno, 515 U.S. 417, 424 (1995) (quoting *United States v. Nourse,* 34 U.S. (9 Pet.) 8, 28–29 (1835) (Marshall, C.J.)).

This presumption is not overcome by the AIA. Section 319 provides: "A party dissatisfied with the final written decision of the [Board] under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the *inter partes* review shall have the right to be a party to the appeal." 35 U.S.C. §319. Section 141(c) provides that "[a] party to an *inter partes* review ... who is dissatisfied with the final written decision of the [Board] under section 318(a) ... may appeal the Board's decision only to the" Federal Circuit. *Id.* §141(c). The plain text of the AIA thus undoubtedly provides for comprehensive review of Board decisions.

The Federal Circuit's decision, however, started neither with the longstanding presumption of judicial review of agency action, nor with the statute broadly

authorizing review of the Board's final *inter partes* review decisions. Instead, it began with section 314(d), which provides that "[t]he determination by the [Board] whether to institute an *inter partes* review under this section shall be final and nonappealable." 35 U.S.C. §314(d). Based on this language, the Federal Circuit concluded that Congress intended to completely preclude judicial review of the Board's decision to institute *inter partes* review, notwithstanding the clear constraints Congress has placed on that decision. The Federal Circuit is simply mistaken.

The better reading of section 314(d), in light of the presumption in favor of judicial review and the AIA's specific grant of authority to the Federal Circuit to conduct that review, is that it forbids review of the decision to institute review until after the conclusion of *inter partes* review proceedings. This interpretation accords with background principles of administrative law It is well-settled that judicial review of agency action generally is limited to "final agency action." *See, e.g.*, 5 U.S.C. §704 (only "final" agency action is reviewable). The decision to institute proceedings is not normally final. *See, e.g., FTC v. Standard Oil Co. of Cal.*, 449 U.S. 232, 239 (1980); *see generally Bennett v. Spear* 520 U.S. 154, 177-78 (1997). Given the difficulty that frequently attends the question whether an agency action is final, Congress' declaration of nonappealability simply makes clear that the decision to institute proceedings does not "mark the consummation of the agency's decisionmaking process" on the question of patent invalidity, and no court should intervene. *See Bennett*, 520 U.S. at 178 (quotation marks omitted). And by

forbidding interlocutory judicial review, Congress ensured that *inter partes* review would provide a speedy alternative to the ordinarily slow pace of patent litigation. *See* Pet.App.32a-33a (Newman, J., dissenting).[9]

This view of the judicial role is entirely consistent with entrusting the Board with broad discretion regarding whether to institute *inter partes* review. Specifically, nothing in the AIA suggests that the Board's refusal to initiate *inter partes* review may be considered by Article III courts. As Senator Kyl explained, the AIA "reflects a legislative judgment" that the Board should have authority to "turn away some petitions that otherwise satisfy the threshold for instituting an *inter partes* review" 157 Cong. Rec. S1377 (Mar. 8, 2011) (statement of Sen. Kyl). Put differently, while whether an exercise of Board authority to institute *inter partes* review may be scrutinized for compliance with the preconditions for doing so, its decision to decline to institute *inter partes* proceedings is unreviewable. *See, e.g., St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375 (Fed. Cir. 2014) (holding denial of *inter partes* review petition unreviewable).

Section 314(d) also fairly can be read to circumscribe judicial review under section 319 when the petitioner merely challenges how the Board has affirmatively exercised the authority that is

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[9] The appearance of the word "final" in section 314(d) should not be read to make the action "final" for purposes of judicial review. It is better read to declare that once the institution decision is made, it need not be reconsidered by the Director or Board.

committed to its discretion. Any appeal of a Board decision to institute review proceedings when all of the statutory prerequisites are satisfied would be barred by section 314(d). This interpretation is consistent with background principles of administrative law Congress has long excepted from judicial review agency action committed exclusively to agency discretion. *See Lincoln v. Vigil*, 508 U.S. 182 (1993); *Heckler v. Chaney*, 470 U.S. 821 (1985); *Citizens to Pres. Overton Park v. Volpe*, 401 U.S. 402 (1971). Statutory text, structure, and legislative history make clear that, so long as the threshold requirements are met, the Board has nearly unfettered discretion to grant or deny a petition for *inter partes* review.

But these considerations carry no weight where the Board has exceeded its congressional mandate. Nothing in the AIA suggests that Congress meant to except from judicial review those instances in which the Board has exceeded its statutory authority. Indeed, it is inconceivable that Congress would so carefully delineate the contours of the Board's authority to institute *inter partes* review proceedings and then strip federal courts of the authority to ensure that the Board acted within those confines. The proper reading of the statute is that it bars interlocutory review of decisions declining to institute *inter partes* review, and review of Board decisions to institute review based on the considerations outlined by Congress, but allows review of decisions to institute review alleged to be *ultra vires* after the conclusion of the *inter partes* review proceeding.

C. The Board's Interpretation Would Work a Serious Injury to the AIA's Design.

Congress carefully limited the Board's authority to institute *inter partes* review proceedings. It may institute proceedings to decide invalidity only on claims identified by the petition, only on two discreet grounds, based only on evidence and arguments presented by the petitioner, and only if the Board determines that there is a "reasonable likelihood" that the petitioner is likely to prevail on at least one claim. Any time the Board disregards any of these requirements, it expands its authority beyond what Congress conferred. If decisions to institute *inter partes* review are deemed categorically unreviewable, such accretions of power will go uncorrected indefinitely.

For example, in this case, the Board considered with regard to some claims in the petition prior art presented by petitioner with regard to other claims. This act was plainly *ultra vires*. But this violation is relatively mild compared to other violations the Board could commit. The Board could consider prior art appearing nowhere in the petition, instead conducting its own research and selecting its own combinations. Consider an even more egregious example: In a case featuring a petition challenging the validity of certain claims, nothing would prevent the Board from granting the petition with regard to those claims and *other* claims in the patent that it believes appropriately should be included in the *inter partes* review proceedings. It could also decide, after looking at a petition, that some of the claimed subject matter may be ineligible for patent protection under 35 U.S.C.

§101, and thus institute proceedings to decide that question, even though that is not a proper inquiry in *inter partes* review. In the Director's view, the only thing standing between the Board and such an expansion of its own authority is voluntary restraint. Congress surely did not contemplate such a system.

Lest there be any doubt, embracing the view of Board discretion advanced by the Director will have consequences beyond *inter partes* review. Section 324(e) circumscribes judicial review of other AIA post-grant proceedings on the same terms as section 314(d). *Compare* 35 U.S.C. §314(d), *with* 35 U.S.C. §324(e). Adopting the Director's position could thus mean, for instance, that a decision that a patent is a "covered business method patent" subject to review under the specified covered business method patent review procedures was unreviewable. *See Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1315 (Fed. Cir. 2015) (holding that §324(e) applies to covered business method patent proceedings). A "covered business method patent" is "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA §18(d)(1), 125 Stat. at 331, *see* 37 C.F.R. §42.301(a). "Technological inventions"—inventions that "recite[] a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution"—are expressly excluded from the definition of "covered business method patents." 37 C.F.R. §42.301(a), (b).

Of course, the Federal Circuit in *Versata*, 793 F.3d 1306, held that section 324(e), although largely

indistinguishable from section 314(d), authorized judicial review of the threshold question of whether a particular patent is a "covered business method patent." As both parties agree, *Versata* and *Cuozzo* are difficult to reconcile, *see* Pet.22; BIO 21-22, and a decision from this Court affirming the decision below could very well call the continuing validity of *Versata* into question. And were *Versata* to be overruled, that would mean that a Board decision to initiate post-grant review of a technological invention based on a clearly erroneous conclusion that the invention, in fact, falls within the definition of a "covered business method patent," is unreviewable. That is clearly not what Congress intended.

Insulating the decision to institute covered business method patent proceedings from judicial review would be particularly problematic. Covered business method patent review allows the broadest possible consideration of the patent's validity by incorporating the standard for post-grant review. *Compare* 35 U.S.C. §311(b) (invalidity only under sections 102 and 103), *with* AIA §18(a)(1), 125 Stat. at 329, 35 U.S.C. §321(b), and 37 C.F.R. §42.304(b)(2) (invalidity under any statutory ground). And whereas post-grant review petitions must be filed within nine months of the date of the grant, covered business method patent proceedings may be initiated at any point during the term of the patent before the controlling review provisions sunset in 2020. *Compare* 35 U.S.C. §321(c) (post-grant review), *with* AIA §18(a)(1)(A), 125 Stat. at 329, and 37 C.F.R. §42.303 (covered business method review). Withholding review would thus subject patents of any

vintage to administrative action on all grounds of patentability without meaningful judicial scrutiny.

The adverse consequences of this lack of Article III oversight would be compounded by the fact that the Board has, in practice, given a very broad reading to the definition of "covered business method" while giving the technological invention exception a narrow one. *See, e.g.*, Jason E. Stach & Andrew G. Strickland, *Exploring the Expanding Scope of Covered Business Method Reviews*, 26 Intell. Prop. & Tech. L.J. 20 (2014); *Symphony Health Solutions Corp. v. IMS Health, Inc.*, No. CBM2015-00085 (P.T.A.B. Sept. 10, 2015) (a commercial business method patent's claims need not "particularly target the financial industry"); *FedEx Corp. v. Ronald A. Katz Tech. Licensing, L.P.*, CBM2015-00053, Paper 9 at 8-9 (P.T.A.B. June 29, 2015) (commercial business method patents include patents that claim activities "incidental" or "complementary" to a commercial transaction); *see also* Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention, 77 Fed. Reg. 48,734, 48,736 (Aug. 14, 2012) (rejecting the argument that "'financial product or service'" is limited to the "products or services of the financial services industry"). And given that covered business method patent proceedings have resulted in cancellation of the patent claims at issue more than 90% of the time, *see* PTO Statistics 13 (96% of written decisions resulting in cancellation or unpatentability finding); *accord* Justin Oliver et al., *Is PTAB 'death squad' just a myth?*, Intell. Prop. Mag. 48, 49 (June 2015), the need for judicial review of the threshold

question of whether the patent in fact involves a covered business method is imperative.

Without judicial review. there is no reason to believe that Board errors will not be institutionalized and proliferate. As errors cascade from case to case, it is entirely possible that these unchecked errors will result in a review institution process that is completely arbitrary. Decisions will no longer be tethered to the statutory criteria, but will instead be based on the idiosyncrasies of individual cases and Board panels. The statutory limitations will be rendered inert, and the system will depend on the will of the decisionmaker.

What is more, denying judicial review will also seriously undermine the *inter partes* review process itself. While *inter partes* review is not an Article III adjudication, it is meant to be adversarial. As such, discovering the truth depends, as Lord Eldon reminds us, on both sides zealously presenting their cases to the decisionmaker. This principle is not limited to the merits of *inter partes* review, but also includes the decision to institute that review in the first place. Limiting the grounds for instituting *inter partes* review to those raised in the petition facilitates the adversarial process by ensuring that the respondent is fully aware of the arguments and evidence raised against it, and can fully respond to them. If the Board is free to institute *inter partes* review proceedings for whatever reason it deems appropriate, respondents will be left to guess at the issues the Board deems important and hope that their response correctly anticipates those issues. That is not an adversarial proceeding in any meaningful sense of the term.

CONCLUSION

For the foregoing reasons, this Court should hold that the application of the broadest reasonable interpretation standard in *inter partes* review proceedings is appropriate because of the availability of amendment. This Court should further hold that judicial review of Board decisions to institute *inter partes* review are reviewable under the limited circumstances discussed herein.

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